



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO
80204-2581

FEB 16 2005

Reply to
Attn of:

CACFP-751

Subject:

Guidance on Reallocation of Child and Adult Care Food Program (CACFP) Audit Funds

To:

STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, Missouri DH,
(Special Nutrition Programs) Montana DPHHS, Nebraska, North Dakota,
South Dakota, Utah and Wyoming

Section 796 of Public Law 108-447, the Consolidated Appropriations Act of 2005, authorizes the reallocation of the audit funds made available to States administering the CACFP. Effective with Fiscal Year (FY) 2004, CACFP audit funds identified by the Secretary as having been unused during the initial fiscal year of availability may be recovered and reallocated.

This memorandum and attachments provide the information needed to conduct the reallocation of FY 2004 CACFP audit funds. Reallocation is the process by which State agencies (SAs) can request additional CACFP audit funds above their initially authorized funding level. We anticipate that the amount of CACFP audit funds that will be available for FY 2004 reallocation will be limited, therefore, SAs that request funds should focus their needs for resources on audit activities that are critical to CACFP. We won't know until final closeout is completed in late April, 2005, the amount of audit funds available for reallocation. Furthermore, the availability of CACFP audit funds for reallocation in future years cannot be guaranteed.


The following are the key requirements related to the reallocation of CACFP audit funds.

- Requests must be for allowable uses of CACFP audit funds as described in the attached memorandums dated February 22, 1999, and July 1, 1994.
- Requests must include a justification for funds that describes what activity will be performed and why the activity is needed.
- Since funding is not guaranteed for future years, priority will be given to those reallocation requests that focus on one-time only projects that are critical to CACFP audit activities.

- Activities funded with CACFP reallocated audit funds must be completed by September 30, 2006. The reallocated funds must be obligated by September 30, 2006, and expended by December 15, 2006.
- The amount of State Administrative Expense (SAE) funds that an SA anticipates carrying over into FY 2006, as indicated on the SAE Funds Reallocation Report (FNS-525), will be a factor in approval of reallocated audit funds. An SA that does not anticipate having SAE carryover funds will have higher priority to receive reallocated audit funds.
- Effective use of the reallocated FY 2004 audit funds received by an SA in FY 2005 will be considered if funds become available for reallocation in future years.

State agencies should submit all reallocation requests with supporting justifications by March 14, 2005. This will allow regional office staff the time needed to review all requests before submitting them to our National Office. Due to the time limitations for reallocating CACFP audit funds, if requests are not received by this date, they may not be considered.

If you have any questions please contact Felicia Gaither at 303-844-0354.


DARLENE SANCHEZ
Regional Director
Special Nutrition Programs

Attachments

FEB 22 1999

SUBJECT: Child and Adult Care Food Program (CACFP) One and One-Half Percent Audit Funds

TO: Regional Directors
Child Nutrition Programs
All Regions

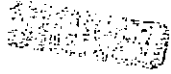
As you are aware, the Child Nutrition Reauthorization Act of 1998, Public Law 105-336, amended section 17(i) of the National School Lunch Act by reducing the amount of funding provided to State agencies (SAs) for the purpose of carrying out audits and other oversight activities from two percent of the CACFP funds expended by the State in the second preceding fiscal year (FY) to one and one-half percent.

During recent meetings in Alexandria, Virginia the issue of use of one and one-half percent audit funds was raised. We received inquiries regarding the use of audit funds for training or technical assistance in problem areas which are identified during audit or review activities. These inquiries led us to evaluate other possible uses of one and one-half percent audit funds.

On July 1, 1994, we issued a memorandum (attached) to all regional directors to provide clarification on §226.8 Audits, (b) and (c). The memorandum advised that SAs could use the two percent audit funds for any allowable costs associated with conducting, handling, and processing CACFP related audits and CACFP administrative reviews.

In light of recent concerns related to integrity within the CACFP, and to provide maximum flexibility to SAs, this memorandum allows the use of one and one-half percent audit funds by SAs to provide training or technical assistance to CACFP organizations and State staff in program areas where problems are identified during audit or review activities. These training and technical assistance efforts may be directed to areas identified during administrative reviews and organization wide or program specific audits. Further, the cost of meetings, training, or technical assistance needs identified as national trends through initiatives such as OIG audits or by the Regional Office and Child Nutrition Division are allowable. Costs associated with these training or technical assistance activities include SA costs for salaries, travel, and the development and distribution of training materials. In addition, we determined that the audit funds may be used to provide training or fund attendance at training on the identification of indicators which can be used to assess compliance with program regulations and standards. These indicators could be trends or patterns based on statistical or anecdotal information gained through prior audit or review results.

As with State Administrative Expense funds, allowable costs must be limited to those incurred by the SA and can not be extended to cover expenses incurred by institutions. Please provide this information to your SAs for immediate implementation.



STANLEY C. GARNETT
Director
Child Nutrition Division

Attachment

cc: Maureen Rankin NERO
Rick Mallam MARO
Rich Rotunno MWRO
Paul Schmitz SWRO
Mary Nielsen MPRO
Reese Payton WRO
Joe Gallagher SERO

Subject: Child and Adult Care Food Program (CACFP) Two Percent Audit Funds

To: Regional Directors
Child Nutrition Programs
All Regions

We have received requests for clarification of our policy regarding the use of two percent audit funds in the CACFP. As described in §226.8(b) and (c), these two percent audit funds are provided to State agencies to: (a) fund the CACFP portion of organization-wide audits and the resulting CACFP audit resolution activities, (b) conduct, handle and process CACFP-related audits and perform the resulting audit resolution activities, and (c) conduct administrative reviews of CACFP, provided that all required program specific audits have been performed.

Please advise your State agencies that the two percent audit funds may be used for any allowable costs associated with conducting, handling and processing CACFP-related audits and CACFP administrative reviews. This policy would allow State agencies to use such funds for allowable costs including, but not limited to, salaries, the purchase of equipment, etc., provided that, such costs are incurred strictly to meet the audit requirements of §226.8 and, subsequent to the completion of the required audits, the administrative review requirements of §226.6. Corresponding changes will be made to FNS Instruction 901, Advance Planning Document (ADP) Handbook.

If you have any further questions, please contact Brad Haigh at 305-2601.



ALBERTA C. FROST
Director
Child Nutrition Division